

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(Proposal Five)

Docket No. RM2021-8

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued October 7, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed August 4, 2021,¹ and to clarify the Postal Service's responses to Chairman's Information Request No. 1,² filed on September 24, 2021, the Postal Service is requested to provide written responses to the following questions. The answers should be provided as soon as they are developed, but no later than October 14, 2021.

1. Please refer to the Petition. The Postal Service states that the proposal that is the subject of the instant proceeding would have a "modest impact," shifting "roughly \$158 (000) in attributable costs from Market Dominant to Competitive [products]." Petition, Proposal Five at 5.
 - a. Please confirm that the total (air + surface) Fiscal Year (FY) 2020 international transportation costs for Negotiated Service Agreement (NSA) volumes to Canada are 2.1 times higher under the proposed methodology, compared to the total (air + surface) international transportation costs

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), August 4, 2021 (Petition).

² Responses of the United States Postal Service to Questions 1-4, 6-8 of Chairman's Information Request No. 1, September 24, 2021 (Response to CHIR No. 1).

reported for NSA volumes to Canada in the FY 2020 Annual Compliance Report (ACR) docket.³ If not confirmed, please explain.

- b. Please confirm that the total (air + surface) FY 2020 international transportation costs for non-NSA volumes to Canada are 2.6 times higher under the proposed methodology, compared to the total (air + surface) international transportation costs reported for non-NSA volumes to Canada in the FY 2020 ACR docket.⁴ If not confirmed, please explain.
- c. Please confirm that the total FY 2020 *surface* international transportation costs for non-NSA volumes to Canada are 9.4 times higher under the proposed methodology, compared to the total *surface* international transportation costs calculated by the Postal Service for these volumes in the FY 2020 ACR docket, using the diversion ratios for total outbound kilograms to Canada and an estimate of surface cost per kilogram, for each “general mail category.”⁵ Petition, Proposal Five at 3-4. If not confirmed, please explain.
- d. Please confirm that the increase in total (air + surface) FY 2020 international transportation costs for NSA volumes to Canada, referenced in question a. above, is likely to impact the cost coverage of currently (*i.e.*, during FY 2021) active outbound international NSAs for which large

³ See Excel file “Reports (Unified).xlsm,” August 4, 2021, tab “Pivot5,” cells (K451+K456+K459+K464+K467+K470+K473+K476). See also Docket No. ACR2020, Library Reference USPS-FY20-NP2, Revised February 22, 2021, Excel file “Reports (Unified).xlsm,” tab “Pivot5,” cells (K451+K456+K459+K464+K467+K470+K473+K476).

⁴ See Excel file “Reports (Unified).xlsm,” tab “Pivot4,” cells (K10+Y10+AM10+BP10+BP11+CD10+CD11+CQ10+DS10), and tab “ICRA Database,” cell Y308. See also Docket No. ACR2020, Library Reference USPS-FY20-NP2, Excel file “Reports (Unified).xlsm,” tab “Pivot4,” cells (K10+Y10+AM10+BP10+BP11+CD10+CD11+CQ10+DS10), and tab “ICRA Database,” cell Y308.

⁵ See Excel file “Outbound Calcs.xlsx,” August 4, 2021, tab “trnadj,” cells (I48+I49). See also Docket No. ACR2020, Library Reference USPS-FY20-NP2, Revised February 22, 2021, Excel file “Outbound Calcs.xlsx,” tab “trnadj,” cells (J48+J49).

portions of qualifying mail volumes destinate in Canada. If not confirmed, please explain. If confirmed, please explain whether any outbound international NSA terminations filed during FY 2021 were associated with the finding that account 53281 expenses represent surface transportation costs for mail volumes to Canada, and the related increase in unit attributable costs for these volumes resulting from the instant proposal.⁶

- e. Please confirm that the increase in the total FY 2020 *surface* international transportation costs for non-NSA volumes to Canada, referenced in question c. above, is to a large degree associated with the Postal Service's finding that "account 53281 is solely for expenses incurred for transporting mail to Canada by highway," and it is to a lesser degree associated with the use of additional Foreign Postal Settlement (FPS) data.⁷ Petition, Proposal Five at 2. If not confirmed, please describe the change in *surface* transportation costs for non-NSA volumes to Canada that would have resulted solely from the use of additional FPS data.

⁶ See, e.g., Docket Nos. MC2021-55 and CP2021-57, Notice of the United States Postal Service of Termination of International Priority Airmail, Commercial ePacket, Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 10 Negotiated Service Agreement, September 24, 2021. See also Docket No. CP2020-174, Notice of the United States Postal Service of Termination of Priority Mail Express International, Priority Mail International, First-Class Package International Service & Commercial ePacket Contract 3 Negotiated Service Agreement, April 20, 2021, Docket No. CP2020-263, Notice of the United States Postal Service of Termination of Priority Mail Express International, Priority Mail International, First-Class Package International Service & Commercial ePacket Contract 9 Negotiated Service Agreement, April 20, 2021, Docket No. CP2020-145, Notice of the United States Postal Service of Termination of Global Expedited Package Services – Non-Published Rates 15 Customer Contracts with Serial Numbers Ending: 0029, 0082, 0111, 0140, 0145, 0150, 0157, 0164, 0199, and 0219, April 20, 2021, Docket No. CP2020-145, Notice of the United States Postal Service of Termination of Global Expedited Package Services – Non-Published Rates 15 Customer Contracts with Serial Numbers Ending: 0009, 0021, 0024, 0027, 0032, 0033, 0041, 0047, 0052, 0058, 0059, 0069, 0072, 0079, 0081, 0100, 0103, 0107, 0112, 0113, 0116, 0126, 0133, 0138, 0146, 0152, 0156, 0158, 0163, 0165, 0172, 0173, 0178, 0198, 0200, 0203 TO 0207, AND 0217, May 17, 2021.

⁷ The Postal Service provides an example of 77 percent of outbound letter post mail categories' volumes estimated to be diverted to highway in FY 2020. Petition, Proposal Five at 4. For the ICRA products included in these letter post mail categories, the FPS data used under the instant proposal suggest that 71 to 95 percent of letter post products' volumes were diverted to highway. For the same products, calculated surface transportation costs for Canada increased between 10- and 13-fold.

2. Please refer to Docket No. CP2021-140,⁸ Excel file “CA_Int_Trans_Calc_PMEI_PMI_FCPIS_Only_2021_03_10.xlsx,” tab “04_FY20 WS14.1,” cell B12. In the referenced Excel file, the Postal Service includes a note that postings for water transportation were found in account 53281. Please reconcile the Postal Service’s statement that “account 53281 is solely for expenses incurred for transporting mail to Canada by highway”⁹ with the Postal Services’ note from Docket No. CP2021-140, referenced above. Please specify which of the two represents a more recent finding regarding expenses recorded in account 53281.
3. Please refer to Response to CHIR No. 1, question 2.b. Please provide a detailed description of the steps taken during a “cross-function...review” for international NSAs conducted by Finance and Global Business during quarterly NSA reviews, including but not limited to the monitoring of NSAs’ costs. In your explanation, please describe whether cost data for individual NSAs are collected by cost segment from relevant GL accounts.
4. Please refer to Response to CHIR No. 1, questions 3.c.-3.d. The Postal Service explains that International Logistics rules can change, and that they differ during peak and off-peak periods. Response to CHIR No. 1, question 3.c.-3.d. The Postal Service further describes the “extreme volatility of the current commercial air market,” stating that continuous efforts are made to adapt to “[air] capacity [] reduction, volume change, or operational constraints,” as well as to secure “surface transportation to move mail.” *Id.*, question 3.d.
 - a. Please confirm that FPS data, provided in Excel file “FY20 CA Sur TrnDistr Key.xlsx,” August 4, 2021, includes outbound international weight

⁸ Docket No. CP2021-140, Notice of the United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, September 28, 2021.

⁹ Petition, Proposal Five at 2.

that actually traveled to Canada by highway and by air in FY 2020,¹⁰ and not weight that would have traveled to Canada by highway and air if the International Logistics rules were followed throughout the year. If not confirmed, please explain.

- b. Please provide examples of operational constraints that may require changes to International Logistics rules. Please be specific whether these examples of operational constraints might lead to air to surface diversions or surface to air diversions.
- c. Please provide examples of volume changes that may require changes to International Logistics rules. Please be specific whether these examples of volume changes might lead to air to surface diversions or surface to air diversions.

By the Chairman.

Michael Kubayanda

¹⁰ Which would reflect transportation modes actually employed in response to challenges such as reduction in air capacity, volume changes, operational constraints, referenced by the Postal Service in Response to CHIR No. 1, question 3.d.